



Algonquin Forestry Authority

**Seventh Annual Report
1981 - 1982**



Ministry of
Natural
Resources

TO HIS HONOUR

The Lieutenant-Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR

The undersigned begs respectfully to present your Honour
the Annual Report of the Algonquin Forestry Authority for the year
beginning April 1, 1981, and ending March 31, 1982.

ALAN POPE
Minister



Algonquin
Forestry
Authority

Honourable Alan Pope
Minister of Natural Resources

Honourable Sir:

I have the honour to submit to you the Annual Report of the
Algonquin Forestry Authority for the year beginning April 1, 1981,
and ending March 31, 1982.

V.J. NORDIN
Chairman

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Chairman's Foreward

The past fiscal year has been a difficult period for the forest industries throughout Canada and, in Ontario, the depressed economy seriously affected markets for all manufactured forest products. Markets will probably remain stagnant into 1983 as long as high interest rates persist.

The Authority incurred its first loss since the start-up year of 1975. However, the loss of \$83,729, while consistent with reductions in revenue experienced throughout the forest industry, is less severe than losses in most segments of the industry, when related to the Authority's total sales of \$8,000,000.

The Authority is confident of the future and the inevitable improvement of the economy based on the soundness of the forest industry. In the interim, however, the Authority is restraining capital expenditures and effecting operational and management economies at every opportunity.

During the year, Authority and Ministry personnel initiated negotiations that will lead to the Authority assuming full responsibility for forest management activities in the Park, including tree marking, silviculture, scaling, and road maintenance. The objective is to effect transfer of these activities to the Authority by April 1, 1983. This is a responsible action that will facilitate the management of the forest resource.

The Authority welcomed the reappointment of F.K. Roberts as well as three new members to the Board, Messrs. John Flavell, Frank Parrott and Ken Wilson. Three of the charter members of the Board, G.B. Abdallah, A.L. Lock, and B.A. Reynolds completed their terms of office during the year and we thank these gentlemen for their substantial contributions to the establishment and work of the Authority.

The Board compliments the General Manager, I.D. Bird, and his operational staff, for maintaining high levels of quality and production during a year made extremely difficult by depressed Canadian and world markets. The successful implementation of the Authority's mandate depends considerably upon the collaboration of many agencies and individuals and I particularly express appreciation to the Minister, the Honourable Alan Pope, and his Ministry staff, and to the Park Allocation Holders.

V.J. Nordin
Chairman

Board of Directors

Chairman: V.J. Nordin, Toronto
Vice Chairman: J.W. McNutt, North Bay
Directors: W.G. Beatty, Gravenhurst
J. Flavelle, Pembroke
G. Godwin, St. Catharines
R. Milne, Sundridge
F. Parrott, Huntsville
G.B. Priddle, Conestogo
F.K. Roberts, Toronto
K. Wilson, Boulter
D.G. Wolfe, Eganville

Officers

General Manager, I.D. Bird, R.P.F.
Secretary-Treasurer, M.R. Green, B.A., C.A., R.I.A.

Office

Algonquin Forestry Authority
P.O. Box 1198
Huntsville, Ontario
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Telephone: (705) 789-9647
Telex: 06-875530

Introduction

Logging originated around 1840 in the area which subsequently became Algonquin Park. Logging, one of the multiple uses to which the Park was dedicated in 1893, has continued to the present.

The Ontario Government established the Algonquin Forestry Authority on January 4, 1975, in response to public concern for the most beneficial means of maintaining a multiple-use approach in Algonquin Provincial Park.

The Authority's operations are being conducted in conformity with the Algonquin Provincial Park Master Plan, thus balancing the public interest in the quality of the Park for recreation with the need to maintain an adequate supply of logs to mills dependent on Park timber.

The forest industry supplied by Algonquin Park timber comprises eleven sawmills, four veneer mills, one pole plant, one pulp mill and one match splint mill which are wholly or partly dependent on this vital source of raw material. Direct contribution by Algonquin logging and primary manufacturing to the Ontario economy was \$41 million in terms of 1982 value added (1).

OBJECTIVES

The Authority's objectives are defined in the Algonquin Provincial Park Master Plan, published by the Ministry of Natural Resources in 1974. The Authority functions as a Crown Corporation, harvesting forest products and supplying them to the manufacturing facilities dependent upon supplies from the Park. The Authority also carries out road construction, silvicultural activities and cutting of trees prescribed by the Ministry.

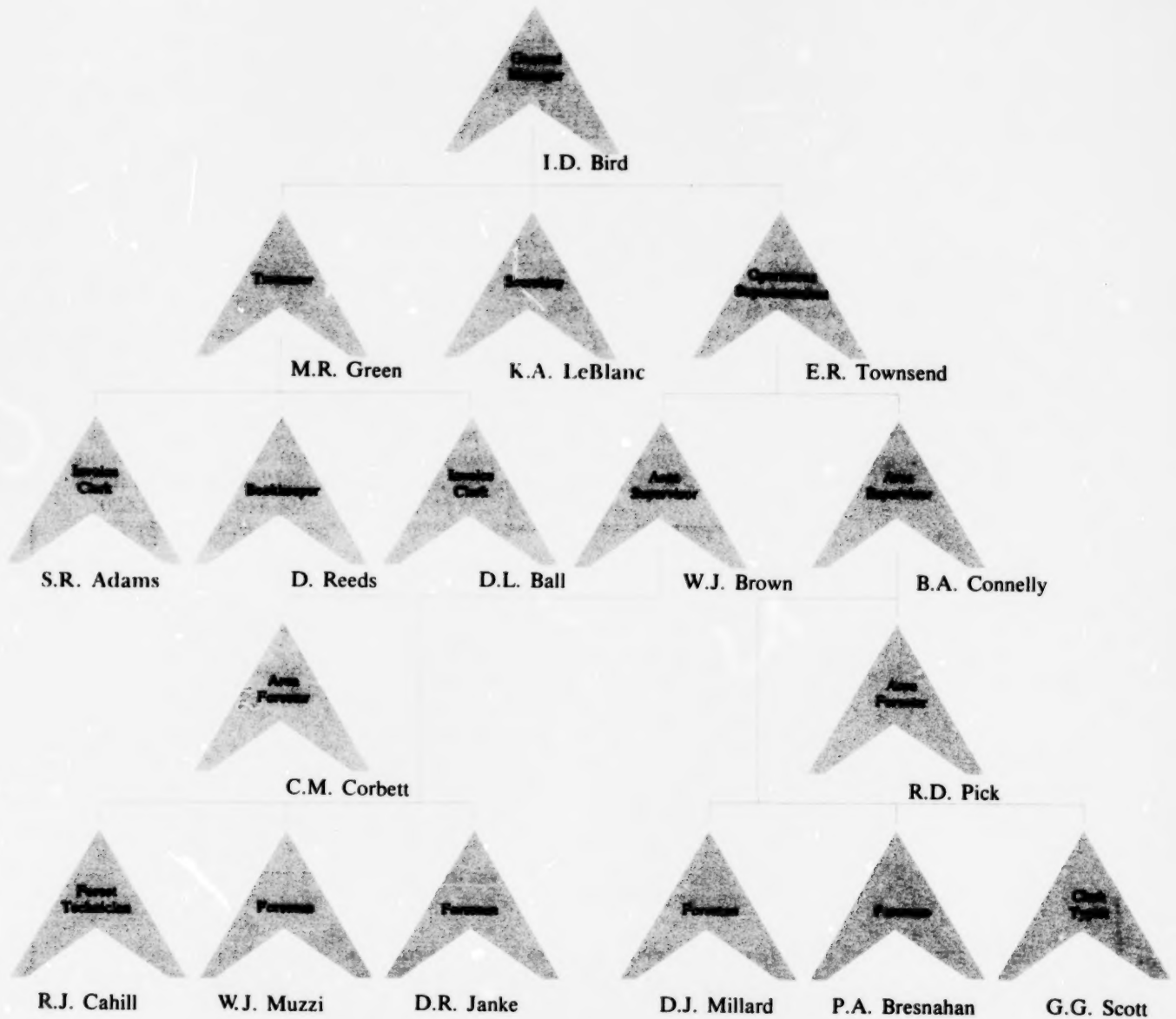
The Authority, as the sole licensee in Algonquin Park, meets raw material commitments to the eighteen mills by contracting with local loggers and with mill operators for production and delivery of specified forest products.

The Board of Directors of the Authority determines appropriate strategies by which the agency meets its objectives. It also prescribes operational practices and procedures in administrative areas not prescribed by the Ministry. The Board supervises the affairs of the Authority to assure its efficiency and effectiveness and advises the Minister on new policies or objectives which it feels may warrant adoption.

The Authority conducts integrated logging operations for a wide variety of forest products and pays normal stumpage and forest management charges. It carries out silvicultural and special project work as directed by the Minister.

(1) "The Forest Industry in the Economy of Ontario"
Ministry of Natural Resources, 1981.

Organization Chart



Product Distribution (Cubic Metres)

PRODUCT	ANNUAL ALLOWABLE HARVEST	ANNUAL ALLOCATION	SURPLUS AVAILABLE	HARVEST 1981 - 82	HARVEST 1980 - 81
Hardwood Veneers Logs	12,740	12,740		8,400	9,150
Hardwood Sawlogs	144,330	136,770	7,560	74,340	69,290
Hemlock Sawlogs	59,430	31,150	28,280	29,960	33,280
Pine & Spruce Sawlogs	90,600	90,600		105,390	118,340
Poplar Splint Logs	4,620	4,620		4,120	3,970
Red Pine Poles	7,500	7,500		15,120	15,250
Pulpwood (Includes Firewood)	268,850	127,430	141,420	158,510	133,340
TOTAL	588,070	410,810	177,260	395,840	382,620

LOGGING OPERATIONS

Total harvest of 396,000 cubic metres was up 13,000 cubic metres from last year in spite of soft lumber markets. Contract loggers produced 286,000 cubic metres, an increase of 12,000 cubic metres over last year. Standing timber sales of 110,000 cubic metres to mill operators were 1,000 cubic metres over last year's experience.

Harvest of pine and spruce sawlogs declined 14,000 cubic metres to 105,000 cubic metres as allocated volumes were adjusted towards the levels specified in the Forest Management Plan of 1981. The adjustment will be completed in 1982-83.

Pulpwood and fuelwood harvest of 159,000 cubic metres exceeded last year by 26,000 cubic metres.

SALES

Customers' log inventories were depleted at the start of the year in anticipation of softening lumber and pulp markets. There was therefore a fair demand for forest products at that time although quality standards and pressure on log prices were severe. Markets deteriorated in step with elevating interest rates and declining prices for manufactured products. Customers honoured commitments in spite of the progressive collapse of markets.

Logging for prime products in Algonquin generates large volumes of low quality by-products such as pulpwood, fuelwood, smelter pokers and charcoal furnish. Aggressive marketing efforts among chipping plants, pulp mills and fuelwood suppliers developed 15 outside customers in addition to regular customers resulting in record sales of 159,000 cubic metres of low grade material, representing 40% of total cut. The fuelwood component at 19,000 cubic metres was 12,000 cubic metres over last year's record level.

FOREST UTILIZATION

The preceding table indicates an unallocated surplus of pulpwood grade amounting to 141,420 cubic metres. It is essential to maintenance of sawlog and specialty product commitments that surplus pulpwood grade material be cut. Spot sales achieved in 1981 enabled utilization of pulpwood grade to exceed 1980 experience by 25,170 cubic metres and to broach the unallocated surplus by 31,080 cubic metres. The silvicultural benefit of this improvement will be reflected in future growth of residual stands remaining after partial cuts.

FOREST MANAGEMENT

Operations Planning Cruise was carried out on 4,800 hectares. Data collected are banked for preparation of the next Five Year Operating Plan due in 1985. It is intended to maintain a modest annual cruising program to avoid a crash program in 1984.

A low intensity regeneration survey on 3,290 hectares of 5 and 6 year old pine cut-over indicated 95% acceptable stocking. It remains to identify understocked areas for future artificial regeneration work.

Cut-over of 1980-81 was surveyed and mapped. Area amounted to 11,700 hectares, 3,300 hectares less than the Annual Allowable Cut. Yield was 32.7 cubic metres per hectare.

A study was initiated to monitor growth of residual hardwood stands after cutting.

CONSTRUCTION

The capital construction programme was restrained by limited cash resources and high borrowing costs to 3 kilometres of primary road north of Shirley Lake and replacement of a timber bridge crossing Harry Creek.

REHABILITATION

The Lake Traverse sawmill and buildings have been dismantled, removed and site rehabilitation completed.

The temporary winter crossing of the Bridle Lake - Shirley Lake Portage was removed and the site was restored to its natural condition.

The timber bridge crossing the Little Madawaska River between Hogan Lake and Lake LaMuir was removed and site rehabilitation was started.

The crossing of the portage between Pen Lake and Night Lake was rehabilitated.

Banks were sloped and graded in a number of small, remote gravel pits.

PERSONNEL

First Aid and Safe Driving Training was given to field personnel. Licensed scalers passed required refresher courses. Management staff received training in financial analysis and development of management skills.

PUBLIC RELATIONS

The full colour information brochure on integrated resource management in Algonquin was well received and enjoys wide distribution.

Speaking engagements and lectures supplemented the regular public contacts by staff and directors in promotion of the aims and achievements of the Authority.

FINANCE

Operations resulted in a net loss of \$83,729, the first loss since the start-up year of 1975. This result is consistent with the prevailing experience in the forest industry.

Accounts Receivable have been reduced by \$46,000 for doubtful accounts incurred among spot sales of low quality products. Inventory valued at \$22,227 was a tendered fuelwood sale awaiting final payment subsequently received in full. Operating loans from the Province of Ontario were paid with interest.

Revenue of \$8,235,731 exceeded last year by \$494,303, being the combined result of price increases and volume increase of 13,000 cubic metres.

Gross income was insufficient to offset administrative expense by virtue of the shift in product mix to low quality, low value by-products and escalation of logging costs. Impact of these factors was compounded by interest expense on operating loans of \$91,687 and by \$46,000 of bad debt expense.

FORECAST 1982-83

Markets for all manufactured forest products will likely remain depressed for the duration of high interest rates. The mills supplied, while accumulating inventories of sawn lumber, are placing restraints on log inventories. Downtime at most mills, if not already taken or planned, is inevitable.

The Authority's level of activity as a raw material supplier will remain uncertain throughout the year. The current forecast is for production of 329,000 cubic metres, 67,000 cubic metres below the 1981 level. Log prices will not bear inflationary cost increases thus producers will experience contract prices at or near 1981 levels.

In view of the prospect of volume reductions resulting from depressed markets, the Authority is restraining capital and discretionary expenditures.

Algonquin Forestry Authority

(Incorporated without share capital under the Algonquin Forestry Authority Act)

BALANCE SHEET AS AT MARCH 31, 1982

	ASSETS	1982 \$	1981 \$
Current			
Cash		11,347	—
Short term investments		—	100,000
Accounts receivable		398,023	391,863
Inventory		22,227	25,862
Prepaid expenses		1,269	3,382
		<u>432,866</u>	<u>521,107</u>
Fixed (note 2)		<u>250,815</u>	<u>231,883</u>
Deferred charges		135,733	143,274
		<u>819,414</u>	<u>896,264</u>
	Liabilities and surplus		
Current Liabilities			
Cheques issued in excess of funds on deposit		—	5,854
Accounts payable and accrued liabilities		214,287	216,495
Contractors' performance holdbacks		127,476	112,535
		<u>341,763</u>	<u>334,884</u>
Surplus		<u>477,651</u>	<u>561,380</u>
		<u>819,414</u>	<u>896,264</u>

See accompanying notes to financial statements.

On behalf of the Board:

V. J. Nordin
Director

John M. Hest
Director

Algonquin Forestry Authority

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 1982

	1982 \$	1981 \$
Revenue		
Product sales	7,649,657	7,161,329
Standing timber sales	570,439	559,892
Other	15,635	6,146
Silvicultural reforestation revenue	—	14,061
	<u>8,235,731</u>	<u>7,741,428</u>
Expenditure		
Operating - direct		
Logging and distribution costs	6,375,851	5,791,448
Crown timber stumpage charges	971,979	991,310
Scaling	33,590	—
Road maintenance	30,415	25,624
Operations planning	12,102	43,536
Area charges	6,381	6,933
Silvicultural reforestation expense	—	15,531
	<u>7,430,318</u>	<u>6,874,382</u>
Gross income	<u>805,413</u>	<u>867,046</u>
 Administrative - indirect operating and other		
Salaries and benefits	524,528	492,296
Interest (note 3)	91,687	57,888
Depreciation and amortization	66,342	57,042
Bad debt expense	46,000	—
Vehicle operating	43,213	43,337
Office rent (note 4)	27,862	23,084
Office supplies and expenses	27,856	29,643
Directors' allowances and expenses	20,466	21,657
Public relations	12,955	7,821
Staff travel	9,433	8,435
Insurance	7,231	7,202
Technical supplies	6,154	8,131
Staff recruitment and relocation	—	5,081
Legal	3,105	385
Staff training	2,310	2,027
	<u>889,142</u>	<u>764,029</u>
Net income (loss) for the year	<u>(83,729)</u>	<u>103,017</u>

See accompanying notes to financial statements.

Algonquin Forestry Authority

STATEMENT OF SURPLUS FOR THE YEAR ENDED MARCH 31, 1982

	1982 \$	1981 \$
Surplus, beginning of year	561,380	458,363
Net income for the year	<u>(83,729)</u>	<u>103,017</u>
Surplus, end of year	<u>477,651</u>	<u>561,380</u>

See accompanying notes to financial statements.

Algonquin Forestry Authority

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED
MARCH 31, 1982

	1982 \$	1981 \$
Source of working capital		
Net income for the year	—	103,017
Add item not requiring outlay of working capital - depreciation and amortization	<u>66,342</u>	<u>57,042</u>
	<u>66,342</u>	<u>160,059</u>
Proceeds from disposal of fixed assets	<u>4,225</u>	<u>2,646</u>
	<u>70,567</u>	<u>162,705</u>
Use of working capital		
Net loss for the year	<u>83,729</u>	—
Purchase of fixed assets	<u>81,958</u>	<u>52,477</u>
Deferred charges	<u>—</u>	<u>19,611</u>
	<u>165,687</u>	<u>72,088</u>
Increase (decrease) in working capital	<u>(95,120)</u>	<u>90,617</u>
Working capital, beginning of year	<u>186,223</u>	<u>95,606</u>
Working capital, end of year	<u>91,103</u>	<u>186,228</u>

See accompanying notes to financial statements.

Algonquin Forestry Authority

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1982

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventory

Inventory is stated at the lower of cost and net realizable value.

(b) Depreciation and amortization of fixed assets

Depreciation is provided for on the straight line method, generally using rates of 10 per cent per annum for furniture, fixtures, technical equipment, buildings and structures and 33 1/3 per cent per annum for automotive equipment. The cost of capital roads is amortized over the estimated number of operating seasons for which the roads are to be used, with a maximum amortization period of ten years.

(c) Deferred charges

Certain costs incurred in developing a comprehensive forest management plan for the period April 1, 1980 to March 31, 2000 are being amortized on a straight line basis over 20 years.

2. FIXED ASSETS

Fixed assets in service are stated at cost and consist of:

	1982		1981	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
	\$	\$	\$	\$
Furniture and fixtures	34,751	12,960	27,158	12,646
Technical equipment	6,518	3,106	5,899	2,465
Automotive equipment	82,733	51,764	69,000	40,250
Buildings and structures	13,461	5,948	13,461	4,602
Capital roads	361,027	173,897	319,346	143,018
	<u>498,490</u>	<u>247,675</u>	<u>434,864</u>	<u>202,981</u>
	<u>247,675</u>		<u>202,981</u>	
	<u>250,815</u>		<u>231,883</u>	

3. INTEREST

Throughout the year and especially during the first few months of the logging season, the Authority borrows funds from the Ministry of Natural Resources to meet its immediate cash flow needs. The Authority pays interest on funds borrowed.

4. COMMITMENTS

The Authority rents premises under two leases which expire on November 30, 1982 and February 29, 1984. The current annual rent under these leases is \$4,300 and \$21,300 respectively.

5. COMPARATIVE FIGURES

Comparative figures for 1981 have been reclassified where necessary to conform with 1982 presentation.



Office of the Provincial Auditor

Parliaments Buildings, Queen's Park, Toronto Ontario M7A 1A2

416/965-1381

To the Members, Algonquin Forestry Authority, and
to the Minister of Natural Resources.

I have examined the balance sheet of the Algonquin Forestry Authority as at March 31, 1982 and the statements of revenue and expenditure, surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

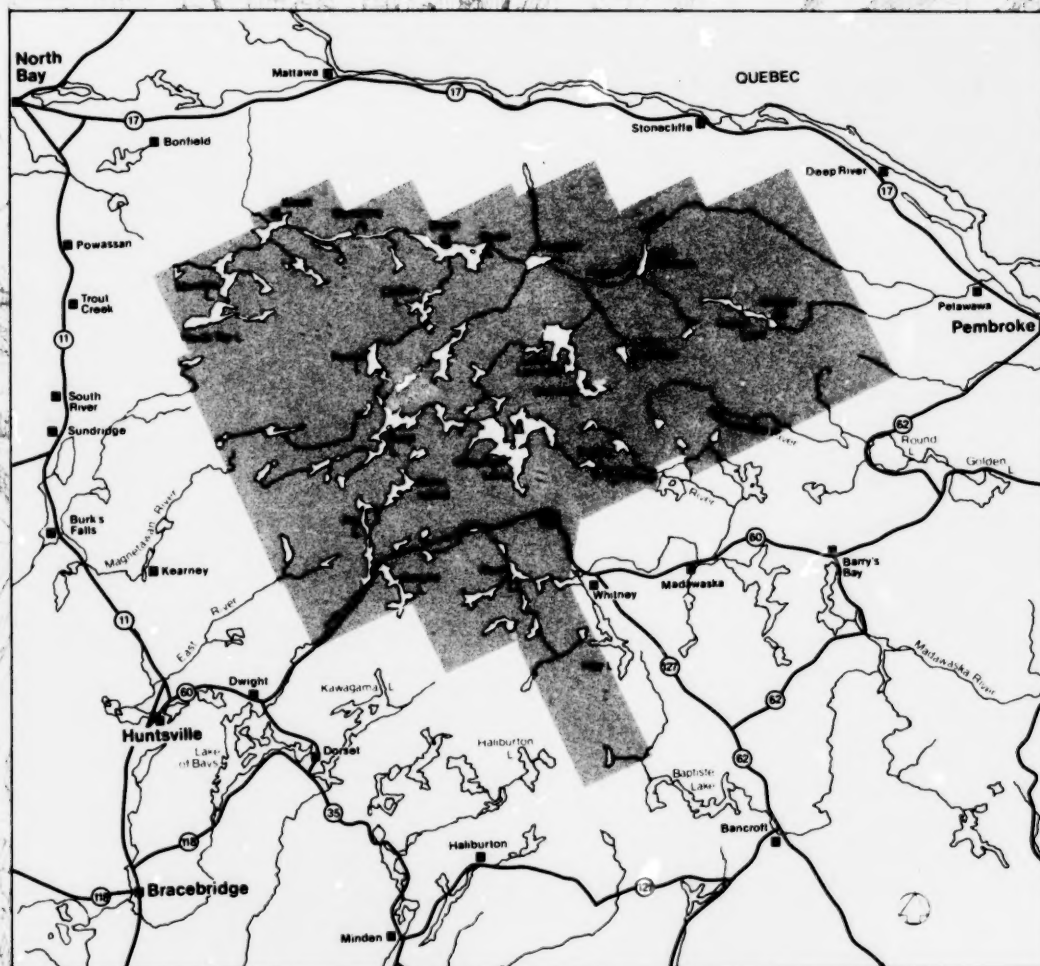
In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with section 18 of the Algonquin Forestry Authority Act, a report on the audit has been made to the Authority and to the Minister.

Toronto, Ontario,
June 28, 1982.

A handwritten signature in cursive script, reading "D.F. Archer".

D.F. Archer, F.C.A.,
Provincial Auditor.





**Algonquin
Forestry
Authority**

P.O. Box 1198, Huntsville, Ont. P0A 1K0